

DEC 29 1989

JOSEPH F. SPANIOL, JR.  
CLERK

No. 89-896

IN THE  
**Supreme Court of the United States**  
OCTOBER TERM, 1989

**RED BARON — FRANKLIN PARK, INC., and  
FUN FACTORIES OF OHIO, INC.,**

*Petitioners,*

v.

**TAITO CORP. and TAITO AMERICA CORP.,**

*Respondents.*

**On Petition For A Writ Of Certiorari To The United  
States Court Of Appeals For The Fourth Circuit**

**RESPONDENTS' BRIEF IN OPPOSITION**

JACK C. BERENZWEIG  
(Counsel of Record)  
JEROME GILSON  
CYNTHIA A. HOMAN  
WILLIAM BRINKS OLDS HOFER  
GILSON & LIONE  
NBC Tower  
455 North Cityfront Plaza Drive  
Suite 3600  
Chicago, Illinois 60611  
(312) 321-4200  
*Counsel for Respondents*



## **COUNTERSTATEMENT OF QUESTIONS PRESENTED**

---

As stated by the petitioners, the questions presented obfuscate the single clear and concise question actually involved in this case. Accurately stated, the question presented is as follows:

Did the Fourth Circuit correctly conclude that an unlicensed public performance of a copyrighted video game infringes the exclusive public performance right granted to the copyright owner by 17 U.S.C. § 106(4)?

**RULE 28.1 STATEMENT**

---

Kyocera Co., Ltd. owns approximately 22.5% of the shares in respondent, Taito Corporation. Respondent, Taito America Corporation, is a wholly-owned subsidiary of Taito Corporation.

## TABLE OF CONTENTS

---

	PAGE
COUNTERSTATEMENT OF QUESTIONS PRESENTED .....	i
RULE 28.1 STATEMENT .....	ii
TABLE OF CONTENTS .....	iii
TABLE OF AUTHORITIES .....	iv
COUNTERSTATEMENT OF THE CASE ....	2
A. Red Baron Has Mischaracterized The Record .....	2
B. The Proceedings In The District Court .	3
C. The Fourth Circuit's Unanimous Reversal Of The District Court's Decision .....	5
SUMMARY OF REASONS FOR DENYING THE WRIT .....	9
REASONS FOR DENYING THE WRIT .....	11
A. The Fourth Circuit Reached A Correct Decision That Is In Accord With An Es- tablished Line Of Precedent .....	11
B. The Fourth Circuit's Decision Is Not Re- lated To, Let Alone In Conflict With, This Court's Decision In <i>K Mart</i> .....	13
C. As With Its <i>K Mart</i> Argument, Red Baron's Argument That The Fourth Cir- cuit's Decision Is In Conflict With Other Prior Decisions Is Manufactured Out Of Whole Cloth .....	15

D. This Court Should Not Legislate An Exception To The Exclusive Public Performance Right Of A Copyright Owner ...	19
E. The Fourth Circuit's Decision Is Not Sufficiently Important For This Court To Review .....	20
CONCLUSION .....	22

### TABLE OF AUTHORITIES

CASES:	PAGE
<i>Broadcast Music, Inc. v. Branham</i> , 1981-1983 Copyright Dec. (CCH) ¶ 25,427 (S.D. Ohio 1982) ...	20
<i>Buck v. Jewell-LaSalle Realty Co.</i> , 283 U.S. 191 (1931) .....	19
<i>Columbia Pictures Indus., Inc. v. Aveco, Inc.</i> , 800 F.2d 59 (3d Cir. 1986) .....	7, 13, 16
<i>Columbia Pictures Indus., Inc. v. Redd Horne, Inc.</i> , 749 F.2d 154 (3d Cir. 1984) .....	7, 13, 16, 20
<i>Hampton v. Paramount Pictures Corp.</i> , 279 F.2d 100 (9th Cir.), cert. denied, 364 U.S. 882 (1960) .	18
<i>K Mart Corp. v. Cartier, Inc.</i> , 108 S. Ct. 1811 (1988) .....	9, 13, 14
<i>Metro-Goldwyn-Mayer Distrib. Corp. v. Bijou Theatre Co.</i> , 3 F. Supp. 66 (D. Mass. 1933) ....	19
<i>Midway Mfg. Co. v. Dirkschneider</i> , 571 F. Supp. 282 (D. Neb. 1983) .....	12, 20

<i>Mirage Editions, Inc. v. Albuquerque A.R.T. Co.</i> , 856 F.2d 1341 (9th Cir. 1988), <i>cert. denied</i> , 109 S. Ct. 1135 (1989) .....	16
<i>Paramount Pictures Corp. v. Sullivan</i> , 546 F. Supp. 397 (D. Me. 1982) .....	19
<i>Pickford Corp. v. De Luxe Laboratories, Inc.</i> , 169 F. Supp. 118 (S.D. Cal. 1958) .....	19
<i>Sebastian Int'l Inc. v. Consumer Contacts (PTY) Ltd.</i> , 847 F.2d 1093 (3d Cir. 1988) .....	2
<i>Sony Corp. of America v. Universal City Studios, Inc.</i> , 464 U.S. 417 (1984) .....	16, 19, 20
<i>Tiffany Prods., Inc. v. Dewing</i> , 50 F.2d 911 (D. Md. 1931) .....	18
<i>United Artists Television, Inc. v. Fortnightly Corp.</i> , 377 F.2d 872 (2d Cir. 1967), <i>rev'd</i> , 392 U.S. 390 (1968) .....	18
<i>United States v. Moore</i> , 604 F.2d 1228 (9th Cir. 1979) .....	16
<i>Universal Film Mfg. Co. v. Copperman</i> , 218 F. 577 (2d Cir.), <i>cert. denied</i> , 235 U.S. 704 (1914) ...	18
<i>Video Views, Inc. v. Alexander</i> , 226 U.S.P.Q. 443 (D. Minn. 1985) .....	13, 20

*STATUTES, RULES, AND OTHER AUTHORITIES:*

17 U.S.C. § 101 .....	12
17 U.S.C. § 106(3) .....	6
17 U.S.C. § 106(4) .....	<i>passim</i>
17 U.S.C. §§ 107-118 .....	6, 16
17 U.S.C. § 109(a) .....	<i>passim</i>
17 U.S.C. § 109(c) .....	16

17 U.S.C. § 110 .....	16
17 U.S.C. § 602(a) .....	4
Fed. R. App. P. 34(g) .....	9
Fed. R. Civ. P. 59(e) .....	4
S. Rep. No. 473, 94th Cong., 1st Sess. (1975) ...	17
2 M. Nimmer, <i>Nimmer On Copyright</i> § 8.12[D] (1989) .....	11
Pat. Trademark & Copyright J. (BNA) 599 (1988) .	5



No. 89 - 896

IN THE  
**Supreme Court of the United States**

OCTOBER TERM, 1989

---

---

RED BARON — FRANKLIN PARK, INC., and  
FUN FACTORIES OF OHIO, INC.,

*Petitioners,*

v.

TAITO CORP. and TAITO AMERICA CORP.,

*Respondents.*

---

---

On Petition For A Writ Of Certiorari To The United  
States Court Of Appeals For The Fourth Circuit

---

**RESPONDENTS' BRIEF IN OPPOSITION**

---

Respondents Taito Corporation and Taito America Corporation<sup>1</sup> respectfully request that this Court deny the petition for a writ of certiorari, which seeks review of the judgment and opinion of the United States Court of

---

<sup>1</sup> Taito America Corporation is a wholly-owned subsidiary of Taito Corporation. As the exclusive licensee of Taito Corp., Taito America is the actual holder of the U.S. copyright rights in Double Dragon. In this brief, the two parties are collectively referred to as "Taito". Petitioners, Red Baron—Franklin Park, Inc. and Fun Factories of Ohio, Inc. are collectively referred to as "Red Baron".

Appeals for the Fourth Circuit, reported at 883 F.2d 275 and reprinted in the appendix to the petition at pages A 13a-25a.

## COUNTERSTATEMENT OF THE CASE

---

### A. Red Baron Has Mischaracterized The Record

Red Baron's statement of the case mischaracterizes the record of the proceedings below. For example, Red Baron repeatedly suggests that Taito has engaged in unlawful tying practices, when, in fact, Red Baron previously expressly withdrew its unsubstantiated claims of antitrust violations and misuse (JA 339-40). No such claims were decided by the district court or the court of appeals, nor are any before this Court. The *only* issue decided on the cross-motions for summary judgment was the issue of Red Baron's infringement of Taito's copyright in the audio-visual work, Double Dragon.

In addition, Red Baron incorrectly characterizes this as an "importation" case whose outcome depends on the Court's view of whether parallel goods should be permitted to enter into the stream of commerce. This is no such case. The only copyright issue that Taito raised on appeal and that was decided by the Fourth Circuit was Red Baron's infringement of Taito's public performance right.<sup>2</sup> The public performance right is one of five exclu-

---

<sup>2</sup> Thus, Red Baron wrongly attacks the appellate court for not discussing the importation cases, such as *Sebastian Int'l Inc. v. Consumer Contacts (PTY) Ltd.*, 847 F.2d 1093 (3d Cir. 1988), relied on by Red Baron. The Fourth Circuit had no need to discuss these cases since no importation issue was before the court.

sive rights granted by statute to every owner of a copyright in an audiovisual work, 17 U.S.C. § 106(4), and it applies to all copies of a protected work, whether imported or domestically manufactured.

Another mischaracterization by Red Baron arises out of its use of an ellipsis. Twice, in quoting from the Fourth Circuit's opinion (Cert. Pet. at 8, 14), Red Baron uses an ellipsis to substitute for the words "so the argument runs" (A 20a), where the court was restating Red Baron's position. By eliminating these key words from the quotation, Red Baron leaves the impression, and indeed states, that the Fourth Circuit adopted Red Baron's arguments on estoppel, exhaustion, and implied license, when in fact, the court rejected these arguments. Moreover, the court rejected the arguments because of their own lack of merit, and not, as Red Baron wrongly contends, because the court relied on the restrictive notice that Taito claims is affixed to Double Dragon printed circuit boards sold in Japan.

Red Baron also mischaracterizes the record by its repeated suggestion that the copyrighted work is "coin-operated video game equipment", including hardware, rather than the audiovisual game, Double Dragon, itself. The related hardware used to house and energize the game is not in issue here.

The foregoing mischaracterizations are simply representative of the liberties Red Baron has taken with the record in an effort to enhance its case.

## **B. The Proceedings In The District Court**

Red Baron initiated this litigation, asserting claims of federal and state antitrust violations and copyright misuse

and seeking a declaration that Red Baron had not committed copyright infringement by its importation and use of parallel printed circuit boards embodying the Double Dragon video game. In response, Taito denied the allegations of the complaint and asserted counterclaims for copyright and trademark infringement and federal unfair competition arising out of Red Baron's importation and use of printed circuit boards embodying the Double Dragon video game.

Cross-motions for summary judgment on the antitrust, misuse, and copyright claims were filed. However, before any decision was rendered on the motions, the parties filed a joint statement for the express purpose of simplifying resolution of the motions (JA 339-344). The effect of the joint resolution was that the only issue left for the district court to decide was whether, as a matter of law, Red Baron's importation and use of Double Dragon printed circuit boards infringed Taito's copyright rights in Double Dragon.

The district court ruled in Red Baron's favor. However, the court's opinion focused solely on the interrelationship of 17 U.S.C. § 602(a), which provides that the unauthorized importation and use of copyrighted goods is an infringement of the exclusive distribution right, and 17 U.S.C. § 109(a), which provides that the owner of a particular copy of a work protected under the Copyright Act is entitled to sell or otherwise dispose of that copy as he sees fit. The court did not address Taito's position that, in the alternative, Red Baron was infringing Taito's exclusive right of public performance as provided by 17 U.S.C. § 106(4).

Thus, Taito timely moved for the district court to alter or amend its judgment pursuant to Fed. R. Civ. P. 59(e).

The basis of Taito's motion was its conviction that the district court overlooked the exclusive public performance right set forth in § 106(4) because, had the court separately considered § 106(4), it would have been compelled to rule in Taito's favor. Although the court acknowledged that the only mention in its opinion of § 106(4) was a reference in a footnote enumerating the rights granted under § 106, it summarily denied Taito's motion.<sup>3</sup>

### **C. The Fourth Circuit's Unanimous Reversal Of The District Court's Decision**

The only issue raised by Taito on appeal was Red Baron's infringement of Taito's public performance right granted it by 17 U.S.C. § 106(4). Unlike the district court, the Fourth Circuit gave due consideration to this issue and unanimously reversed the court below.

In reaching its decision, the appellate court fully considered and rejected the arguments that Red Baron raises here. The court first considered whether Red Baron's use of Double Dragon constitutes a public performance within § 106(4) and unequivocally concluded that it does. The court applied to Red Baron's conduct the statutory definitions of the terms "perform" and perform "publicly" and found that Red Baron did publicly perform Double Dragon (A 18a-19a). In rejecting Red Baron's argument that the

---

<sup>3</sup> The district court's omission was not summarily dismissed by authoritative commentators. When commenting on the decision, the leading weekly professional journal on intellectual property law noted, "Although not addressed in Judge Cacheris' opinion, a further question remains as to the effect of a first sale . . . Even if the distribution right was extinguished by the first sale, this case also involved a performance right of an audiovisual work under section 106(4)." Pat. Trademark & Copyright J. (BNA) 599, 600 (1988).

performance of Double Dragon by its video arcade customers is not public, the court observed:

There is no real dispute here that Red Baron's video arcades are open to the public; of course, Red Baron's aim is to attract as many members of the public to its arcades as possible. The use of a Double Dragon unit may be viewed by the player, any persons accompanying him, and any other interested patrons of the video arcade.

Thus our conclusion is that Red Baron caused the public performance of Double Dragon (A 19a).

The court next addressed Red Baron's contention that the first sale doctrine as codified in 17 U.S.C. § 109(a) extinguished Taito's public performance right. The court acknowledged that the argument has a "certain superficial, logical appeal" (A 19a), but then went on to illustrate why it cannot withstand a reasoned analysis.

As with any statutory analysis, the court properly began with the language of the statute (A 21a). Section 106 of the Copyright Act grants the copyright owner five separate and distinct rights, including the rights of reproduction, preparation of derivative works, distribution, public performance, and public display (A 21a). The only exceptions to these rights are specifically enumerated in 17 U.S.C. §§ 107-118. Thus, § 109(a) provides that, "Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, . . . , is entitled, . . . , to sell or otherwise dispose of the possession of that copy or phonorecord." However, as the Fourth Circuit correctly recognized, § 109(a) is limited by its very terms to *distribution* of the copyrighted work and "has no application to the other four rights of a copyright owner, including the right to perform the work publicly" (A 21a).

The Fourth Circuit further recognized that the judiciary, learned commentators, and the legislative history of the Copyright Act unanimously support its conclusion that § 109(a) does not extinguish or impair the public performance right (A 21a-23a). In particular, the court found "persuasive" two recent Third Circuit decisions with similar facts, both of which are solid authority for the appellate court's ruling in this case (A 21a). See *Columbia Pictures Indus., Inc. v. Aveco, Inc.*, 800 F.2d 59 (3d Cir. 1986) ("*Aveco*") and *Columbia Pictures Indus., Inc. v. Redd Horne, Inc.*, 749 F.2d 154 (3d Cir. 1984) ("*Redd Horne*").

In *Aveco* and *Redd Horne*, the producers of certain motion pictures charged that the owners of videocassette rental stores were infringing the producers' public performance rights in the motion pictures by renting videocassettes along with rooms in which the pictures could be viewed. It was undisputed in both cases that the videocassettes were made and lawfully acquired by the store owners, and there were no charges that any other exclusive rights, including the distribution right, had been infringed. In both cases, the Third Circuit ruled that the producers' public performance rights were infringed, despite the defendants' contentions that their actions were protected by the first sale doctrine. The Fourth Circuit, quoting *Aveco*, explained why the first sale doctrine does not affect the public performance right:

The rights protected by copyright are divisible and the waiver of one does not necessarily waive any of the others . . . In particular, the transfer of ownership in a particular copy of a work does not affect Producers' Section 106(4) exclusive rights to do and to authorize public performances . . . It therefore cannot protect one who is infringing Producers' Section 106(4) rights by the public performance of the copyrighted work (A 22a).

With respect to Red Baron's other arguments asserted here, i.e., estoppel and implied license, the Fourth Circuit explained that it considered them and found them "lacking in merit" (A 23a). Thus, the court unanimously reversed the judgment of the district court and held that, "Red Baron, not having a performance license from Taito or Taito America, infringed Taito's copyright" (A 23a).

Red Baron filed a petition for rehearing in banc, pinning its hopes on the Fourth Circuit's passing reference to the effect that Double Dragon printed circuit boards sold by Taito in Japan exhibit a notice restricting use of the game to Japan (A 15a, 20a n.4). Even though it is clear from the opinion that the restrictive notice did not form any part of the basis for the appellate court's ruling, Red Baron argued otherwise.

Without requesting any response from Taito, the Fourth Circuit summarily denied Red Baron's petition, although it modified its prior opinion "in minor respects" (A 24a). The primary purpose of the modification was to make clear what was obvious from the face of the original opinion—that the court did not rely on the restrictive notice in reaching its result. As stated by the court, "*Since our view of the proper disposition of this case does not depend on the presence or absence of the restrictive notice, we will not undertake to resolve this factual issue*" (A 25a) (emphasis added).<sup>4</sup>

---

<sup>4</sup> The court characterized as "manifestly frivolous" Red Baron's contention, also advanced before this Court, that what, if anything, the printed circuit boards exhibit is not part of the record (A 24a n.2). At oral argument, it was Red Baron's counsel who placed one of the printed circuit boards before the court and relied on it as part of his argument. Presumably, Red Baron's counsel would

(Footnote continued on following page)



## SUMMARY OF REASONS FOR DENYING THE WRIT

---

Red Baron's petition asks this Court to exercise its certiorari jurisdiction to review an issue that was carefully considered and correctly decided. The Fourth Circuit unanimously agreed that Red Baron's unlicensed public performance of the video game, Double Dragon, infringes Taito's copyright therein.

Red Baron's argument that the Fourth Circuit's decision conflicts with this Court's decision in *K Mart Corp. v. Cartier, Inc.*, 108 S. Ct. 1811 (1988), is without merit. *K Mart* did not advance the broad policy statements on parallel imports which Red Baron claims that it did. Moreover, *K Mart* is not in conflict with this case because it has no relationship to it. *K Mart* concerned the interpretation and application of certain Customs Service regulations as they apply to the importation of parallel goods. By contrast, the public performance right of 17 U.S.C. § 106(4), which the Fourth Circuit held that Red Baron is infringing, has nothing to do with the importation of goods. Rather, this exclusive right belongs to the copyright owner regardless of whether the copies of the protected work were manufactured in the U.S. or abroad.

Congress specifically provided copyright owners of audiovisual works with an exclusive right of public performance, along with four other exclusive rights, when it en-

---

<sup>4</sup> *continued*

have sought advance permission from the court, and would have so advised Taito's counsel, if Red Baron intended to rely on a visual aid that was *not* already an exhibit in the case. See Fed. R. App. P. 34(g).

acted 17 U.S.C. § 106. Red Baron is clearly causing the public performance of Double Dragon by making it available for play at its video arcades, which are open to the public and where any member of the public may play the game or watch another person playing it. The exceptions to the exclusive rights are specifically set forth in the Copyright Act. The only exception asserted by Red Baron here, that of first sale as provided by 17 U.S.C. § 109(a), is inapplicable. Section 109(a) is expressly limited to the exclusive right of distribution and does not affect any of the other exclusive rights, including that of public performance.

Red Baron's exhaustion, estoppel, and implied license theories are equally unpersuasive. By virtue of its enactment of § 106(4), Congress, in effect, modified these common law principles as they may pertain to audiovisual works protected by copyright. Thus, it is not surprising that Red Baron has been unable to cite a single case espousing either theory in the context of this case. Indeed, there is sound authority to the contrary. Red Baron is asking this Court to legislate a change to the public performance right, an invitation that the Court should not accept.

The question presented by the petition is not sufficiently important to warrant an expenditure of this Court's scarce resources. The Fourth Circuit reached a correct decision that is in accord with established precedent and practice, and no court or commentator has even hinted that this Court's intervention is needed on this question.

For these reasons, the petition for a writ of certiorari should be denied.

## REASONS FOR DENYING THE WRIT

---

### A. The Fourth Circuit Reached A Correct Decision That Is In Accord With An Established Line Of Precedent

The Fourth Circuit's decision is squarely supported by the express language of the Copyright Act, which unequivocally provides a copyright owner with a separate and exclusive right of public performance. 17 U.S.C. § 106(4). Moreover, the first sale provision of 17 U.S.C. § 109(a), relied upon by Red Baron, is expressly limited to the right of distribution.<sup>5</sup> The courts and commentators speak with one voice on this point, and Red Baron's attempt to argue otherwise is indicative of its willingness to present a totally unsupported position as though it were established law.

The Fourth Circuit correctly concluded that Red Baron's conduct with respect to Double Dragon constitutes public performance of the work (A 17a-19a). Although Red Baron apparently is not so brazen as to argue that Double Dragon is not "performed" in its video game arcades by members of the public, it does argue that the performances are not "public". Astoundingly, Red Baron chastises the appellate court for applying the statutory definition of these terms in deciding this issue (Cert. Pet. at 23-24).

---

<sup>5</sup> See, e.g., the many authorities relied upon by the Fourth Circuit at pages A 21a-23a. As Professor Nimmer stated in his renowned treatise on copyright law, "It should be made clear that one who is entitled to claim the benefit of Section 109(a) is not thereby exempted from the thrust of any rights of the copyright owner other than the distribution right." 2 M. Nimmer, *Nimmer On Copyright* § 8.12[D] at 8-132.5 (1989).

As defined by the Copyright Act, to "perform" an audiovisual work, such as Double Dragon, means to "show its images in any sequence or to make the sounds accompanying it audible." 17 U.S.C. § 101. According to the Act, to perform a work "publicly" means to "perform . . . it at a place open to the public or any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered . . . ." 17 U.S.C. § 101.

It is undisputed that Red Baron operates video game arcades for use by the public (A 14a). At these arcades, Red Baron places parallel Double Dragon printed circuit boards in coin-operated cabinets so that members of the public may play the game (A 14a). In so doing, Red Baron is clearly causing the "public performance" of Double Dragon. See *Midway Mfg. Co. v. Dirkschneider*, 571 F. Supp. 282, 284-286 (D. Neb. 1983).

Red Baron makes the puzzling argument that video game playing is a private activity akin to singing in the shower because young people generally play video games. This argument is perhaps most readily laid to rest by pointing out that a shower is not generally, in the words of the statute, "a place open to the public or . . . any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered." 17 U.S.C. § 101. By contrast, as the Fourth Circuit pointed out, not only is there no dispute that Red Baron's arcades are open to the public, but indeed, "Red Baron's aim is to attract as many members of the public to its arcades as possible" (A 19a).

Red Baron further argues that even if its arcades are open to the public, the performance of a video game in an arcade is a private activity. However, as the Fourth

Circuit stated in dismissing this argument, "The use of a Double Dragon unit may be viewed by the player, any persons accompanying him, and any other interested patrons of the video arcade" (A 19a). Moreover, Red Baron's argument that the Fourth Circuit's decision on this point is without precedent is in error. *See, e.g., Redd Horne*, 749 F.2d at 158-59; *Aveco*, 800 F.2d at 63 (holding that even though videocassettes were viewed in private rooms, the performances were "public" because the stores were "willing to make a viewing room and video cassette available to any member of the public with the inclination to avail himself of this service"); *Video Views, Inc. v. Alexander*, 226 U.S.P.Q. 443 (D. Minn. 1985) (screening a film on a "peep show" machine located in a video arcade constitutes a public performance of the film).

The Fourth Circuit's decision that Red Baron's unlicensed use of Double Dragon in video arcades is an infringement of Taito's public performance right is fully supported by the Copyright Act and its legislative history, by judicial precedent, and by learned commentators. This Court should not review a clearly correct result.

**B. The Fourth Circuit's Decision Is Not Related To, Let Alone In Conflict With, This Court's Decision In *K Mart***

Although Red Baron has attempted to surround the issue presented by this case with an aura of importance (e.g., by suddenly referring to this as a "test" case), it is, in fact, a simple and straightforward issue pertaining to the interpretation and application of the Copyright Act's public performance right as applied to video games. The decision in this case certainly is *not*, as Red Baron contends, in conflict with this Court's decision in *K Mart Corp. v. Cartier, Inc.*, 108 S. Ct. 1811 (1988). There is, in fact, no relationship between the issues in the two

cases. Red Baron attempts to give such an appearance by embellishing both what this Court decided in *K-Mart* and what the Fourth Circuit decided in this case, and it attempts to draw non-existent parallels between the two cases.

This Court's decision in *K Mart* had *nothing* to do with the Copyright Act, and it did *not* establish a sweeping policy statement favoring parallel goods. Indeed, the Court in *K Mart* struck down the Customs Service regulation which permitted the importation of parallel goods manufactured in a foreign country by an independent trademark licensee. *Id.* at 1818-19. Although Red Baron argues that the Court's opinion in *K Mart* was embroidered with far-reaching statements on foreign cartels and world markets, the opinion of the divided Court actually was a very narrow analysis of the applicable statute and regulations.

Just as Red Baron overstates the holding in *K-Mart*, so it also overstates the decision of the Fourth Circuit. As even the most cursory reading of the court's opinion illustrates, the Fourth Circuit did *not* expressly or impliedly rule, as Red Baron contends, "that Taito was free to use federal copyright law as a vehicle for dividing world markets" (Cert. Pet. at 10). Indeed, the public performance right of 17 U.S.C. § 106(4) applies to all protected audiovisual works, regardless of where the copies originated. Notably, Red Baron's quoted statement gives no citation to any page of the appellate court's opinion. In addition, this case does not, as *K Mart* did, involve issues relating to the Tariff Act and Customs Service regulations. This is a copyright case and nothing more, and the court's decision is so limited.

Red Baron's attempt to present a conflict between the Fourth Circuit's decision and *K Mart* is without merit.

Red Baron has seized upon the *K Mart* decision as a way, however far removed from the issue at bar, to get the Court's attention. The fact remains, however, that there cannot be a conflict where, as here, there is no substantive relationship between the cases.

**C. As With Its *K Mart* Argument, Red Baron's Argument That The Fourth Circuit's Decision Is In Conflict With Other Prior Decisions Is Manufactured Out Of Whole Cloth**

Red Baron presents a tortured argument in its effort to establish a conflict among the circuits where none exists. The lack of merit in Red Baron's argument is clearly illustrated by its contention that the Fourth Circuit's decision conflicts with the very decisions relied upon by that court, *i.e.*, the Third Circuit's decisions in *Aveco* and *Redd Horne* that the copyright owners' public performance rights *were* infringed.

In reaching its decision, the Fourth Circuit assumed that the Double Dragon video games were transferred without restriction (A 25a), but it still rejected Red Baron's common law estoppel, exhaustion, and implied license arguments (A 23a).<sup>6</sup> This rejection was clearly correct in view of Congress's plain intention to make an exception to these common law principles at least insofar as the public performance right for audiovisual works is concerned. 17 U.S.C. § 106(4). That is to say, had Congress intended,

---

<sup>6</sup> As explained above, in its petition Red Baron wrongly attempts to prove otherwise (Cert. Pet. at 8, 14). By substituting an ellipsis for the court's words "so the argument runs" (A 20a), Red Baron makes it appear as though the Fourth Circuit adopted Red Baron's argument, when in fact, the court was restating Red Baron's position, which the court later rejected.

under one of these theories, to limit the public performance right after there had been a first sale of the copyrighted work, it would have included such a provision in § 109, as it did in § 109(a) with respect to the distribution right and in § 109(c) with respect to the public display right. Notably, in 17 U.S.C. § 110, Congress did set forth certain exceptions to the public performance right for such purposes as education, religion, and other non-profit activities. Apart from these limited exceptions, it is well-established that the exclusive right of public performance survives a first sale unimpaired. *See, e.g., Mirage Editions, Inc. v. Albuquerque A.R.T. Co.*, 856 F.2d 1341, 1344 (9th Cir. 1988), *cert. denied*, 109 S. Ct. 1135 (1989); *Aveco*, 800 F.2d at 63-64; *Redd Horne*, 749 F.2d at 160; *United States v. Moore*, 604 F.2d 1228, 1232 (9th Cir. 1979).

Red Baron's reliance on patent cases as support for its exhaustion argument is misplaced, since there is no corresponding public performance right in patent law. Moreover, this Court has specifically cautioned against applying decisions in patent cases to copyright cases. As the Court said in *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 439 n. 19 (1984), copyright law and patent law "are not identical twins, and we exercise the caution which we have expressed in the past in applying doctrine formulated in one area to the other." This caution is particularly apt here where Congress expressly delineated the public performance right and the limited exceptions thereto.

As does copyright law, patent law does have a distribution right (the right to sell), which is limited by the first sale of the patented product. However, patent decisions on the distribution right have no more pertinence here than the copyright distribution cases cited by Red Baron. As noted above, the distribution right in copyright



law is specifically abridged by the first sale doctrine of § 109(a), but there is no corresponding restriction on the public performance right.

Red Baron's estoppel and implied license arguments are likewise without merit. Again, there cannot be an estoppel as to the public performance right by virtue of a first sale where the Copyright Act specifically provides otherwise. In essence, Red Baron is arguing for a merger of the distribution and public performance rights, which is directly contrary to Congress's clear intention. Indeed, although Red Baron argues otherwise (Cert. Pet. at 21), the legislative history of the 1976 Copyright Act *does* state its intention that the public performance right is to be treated differently than the distribution right. Thus, the Senate Report states, "Under Section 202 [which provides that ownership of a copyright is distinct from ownership of the material object in which the work is embodied], however, the owner of the physical copy or phonorecord cannot reproduce or perform the copyrighted work publicly without the copyright owner's consent." S. Rep. No. 473, 94th Cong., 1st Sess. 72 (1975).

Red Baron's claim that five decisions dealing with motion pictures support its position is in error. Two of the cited cases—*Aveco* and *Redd Horne*—were expressly relied upon by the Fourth Circuit and are in complete accord with the appellate court's decision here. Nonetheless, Red Baron argues that these cases, which involved videocassettes of motion pictures, are consistent with its "estoppel" theory because the intended use of a videocassette is for home use, not commercial use, whereas, in Red Baron's view, a printed circuit board containing a video game like *Double Dragon* is intended for commercial, and not home, use. Such an argument, if adopted,

would completely undercut the Copyright Act which protects the work, regardless of its physical embodiment. Thus, for example, the Disney cartoon, *Snow White*, is protected by copyright and cannot be publicly performed regardless of whether the performance results from a showing of the work as embodied in an 8 mm film, a 35 mm film, or a videocassette.

*Universal Film Mfg. Co. v. Copperman*, 218 F. 577 (2d Cir.), *cert. denied*, 235 U.S. 704 (1914), applied a prior copyright law and, moreover, it was subsequently construed as having "clearly intimated that the exhibition of a copyrighted motion picture would have been considered an infringement of the copyright, except for the fact that its copyright was found to be void because of prior publication and dedication in England before registration in the United States." *Tiffany Prods., Inc. v. Dewing*, 50 F.2d 911, 914 (D. Md. 1931).

*United Artists Television, Inc. v. Fortnightly Corp.*, 377 F.2d 872 (2d Cir. 1967), *rev'd*, 392 U.S. 390 (1968), also relied on by Red Baron, merely referred in dicta to *Copperman*. Indeed, the appellate court in *Fortnightly* found that there had been unauthorized and infringing public performances. *Id.* at 885. In the other case cited by Red Baron, *Hampton v. Paramount Pictures Corp.*, 279 F.2d 100 (9th Cir.), *cert. denied*, 364 U.S. 882 (1960), the court again found that there had been an unauthorized public performance. *Id.* at 103.

Not only do *Copperman*, *Fortnightly*, and *Hampton* fail to support Red Baron's exhaustion/estoppel arguments or point to any conflict among the authorities, but there is also ample authority in addition to *Aveco* and *Redd Horne* which establishes that public performances of audiovisual works are unlawful unless authorized by the copyright

owner. See, e.g., *Paramount Pictures Corp. v. Sullivan*, 546 F. Supp. 397 (D. Me. 1982); *Pickford Corp. v. De Luxe Laboratories, Inc.*, 169 F. Supp. 118, 120-21 (S.D. Cal. 1958); *Metro-Goldwyn-Mayer Distrib. Corp. v. Bijou Theatre Co.*, 3 F. Supp. 66 (D. Mass. 1933). This Court itself has said, "It is true that control of the sale of copies is not permitted by the [Copyright] Act, but a monopoly is expressly granted of all public performances for profit." *Buck v. Jewell-LaSalle Realty Co.*, 283 U.S. 191, 197 (1931) (footnote omitted).

There is no conflict between the Fourth Circuit's decision and prior pertinent decisions. Rather, the decision below is fully consonant with the applicable precedent.

**D. This Court Should Not Legislate An Exception To The Exclusive Public Performance Right Of A Copyright Owner**

As the Fourth Circuit recognized, and as the controlling authorities conclusively establish, § 106(4) of the Copyright Act gives Taito the exclusive right to publicly perform Double Dragon. Since Red Baron's activities with respect to Double Dragon do not fall within any of the statutory exceptions to the copyright owner's exclusive rights, Red Baron is infringing Taito's copyright in Double Dragon.

When stripped of its rhetoric, it is apparent that Red Baron's petition is asking this Court to legislate an additional exception to the public performance right to cover Red Baron's parallel printed circuit boards. This Court has long recognized, however, that "the protection given to copyrights is wholly statutory" and that the judiciary must not tread into Congress's domain on such matters. *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 431 (1984). Moreover, Red Baron's suggestion that the public performance right should not be ap-

plied here because video game technology is of relatively recent origin is equally without merit. In *Redd Horne*, the Third Circuit rejected a nearly identical argument:

A defendant however, is not immune from liability for copyright infringement simply because the technologies are of recent origin or are being applied to innovative uses. Although this case involves a novel application of relatively recent technological developments, it can nonetheless be readily analyzed and resolved within the existing statutory framework.

*Redd Horne*, 749 F.2d at 157-58. See also *Sony*, 464 U.S. at 431.

Under the prevailing copyright laws, Red Baron is clearly infringing Taito's copyright. The fact that Congress delineated certain statutory exceptions to the exclusive rights of a copyright owner, including the public performance right, indicates that Congress did not intend for there to be additional exceptions carved out. This Court has previously rightly refused to engage in legislating copyright law, and it should not accept Red Baron's invitation to do so now.

#### **E. The Fourth Circuit's Decision Is Not Sufficiently Important For This Court To Review**

Contrary to Red Baron's arguments, the Fourth Circuit's decision is not unprecedented. Indeed, it is but another decision in an unbroken chain of cases enforcing the public performance right.<sup>7</sup> Moreover, in other indus-

<sup>7</sup> *Aveco* and *Redd Horne* are among the most recent decisions enforcing the public performance right. Other recent cases include *Video Views, Inc. v. Alexander*, 226 U.S.P.Q. 443 (D. Minn. 1985); *Midway Mfg. Co. v. Dirkschneider*, 571 F. Supp. 282 (D. Neb. 1983); *Broadcast Music, Inc. v. Branham*, 1981-1983 Copyright Dec. (CCH) ¶ 25,427 (S.D. Ohio 1982).

tries which routinely exploit audiovisual works for profit (as Red Baron is doing here), such as motion pictures, television, radio, and nightclubs, licensing procedures are an accepted part of doing business.

Without any citation of authority, Red Baron nonetheless argues that it is entitled to use, without authorization, the Double Dragon parallel printed circuit boards for their "customary purpose" (Cert. Pet. at 21). However, the "customary purpose" of a play, for example, is to perform it, yet it is beyond dispute that, while one can read a play privately without needing a license, in order to stage a copyrighted play on Broadway, a public performance license must be obtained. The same is true for parallel Double Dragon printed circuit boards. One can freely perform the work in the privacy of one's home or for non-profit purposes, but to perform it in video arcades, a license must be obtained. In short, the question presented by the petition lacks importance because the Fourth Circuit's decision is in complete accord with precedent and practice.

Furthermore, Taito is not aware that any court which has considered the public performance right or any commentator who has done likewise has ever expressed the slightest concern with enforcing 17 U.S.C. § 106(4) as written. Indeed, the Fourth Circuit carefully considered the public performance right in light of the facts at bar, and it unanimously, and without reservation, ruled that the right must be enforced here. It is not insignificant that several amendments were made to the Copyright Act within the last year, but no changes were made to either § 106(4) or § 109(a), the first sale doctrine.

The decision below is clearly not one that warrants an expenditure of this Court's scarce resources.

## CONCLUSION

---

Red Baron's petition asks this Court to overturn a decision that is correct and in accord with established precedent. Moreover, the petition seeks review of an issue that does not warrant this Court's attention. Accordingly, the petition for a writ of certiorari should be denied.

Respectfully submitted,

JACK C. BERENZWEIG  
(Counsel of Record)

JEROME GILSON

CYNTHIA A. HOMAN

WILLIAM BRINKS OLDS HOFER

GILSON & LIONE

NBC Tower

455 North Cityfront Plaza Drive

Suite 3600

Chicago, Illinois 60611

(312) 321-4200

*Counsel for Respondents*